REMARKS

The undersigned Attorney for Applicants thanks Examiner Felten for the helpful interview held on July 9, 2002. The amendments herein are in conformance with what was discussed at the interview and are also in response to the Examiner's comments in the June 17, 2002 office action.

On page 2 of the June 17, 2002 office action, the Examiner required correction of the specification and the claims. Claims 2-9 were rejected under 35 USC 112, 2nd paragraph on grounds that the term "the financial instrument" lacked antecedent basis. Claims 1-15 were rejected under 35 USC 103(a) as being unpatentable over U.S.Patent No. 6,035,287 to Stallaert.

Claims 1-15, as amended, and new claims 16-25 are being submitted for the Examiner's consideration.

Amendments to the Specification

The specification has been amended to address the issues raised by the Examiner.

Amendments to the Claims

Claims 2-9 have been amended to overcome the rejected under 35 USC 112, 2nd paragraph, by changing "the financial instrument" to –the first financial instrument--.

Claims 5-7 have further been amended to address the Examiner's objections thereto.

Independent Claims 1, 10 and 15 have been amended to specifically recite that the M member securities of the first portfolio are a subset of the N member securities of the second portfolio. It is noted that the original claim language implied this: "the first portfolio comprising units of an integer number M different securities selected <u>from</u> a second portfolio . . ." (emphasis added). During the interview, the Examiner said that it was not clear from the original claim language that the M different securities were a subset of the N different securities, and so requested that this language be added.

New independent claim 16 specifically states that the first financial instrument is based on the M stocks within the NASDAQ that also belong to an index that is based on market capitalization values of N different stocks, where the M stocks are a subset of the N stocks and at least some of the N different stocks are traded on an exchange other than the NASDAQ. Dependent claims 17-22 further define the invention of claim 16.

New independent claims 23 and 24 specifically state that the first financial instrument is based on the NASDAQ-only component of the S&P 500 and the S&P 100, respectively.

Rejection under 35 USC 103

In the office action, claims 1-15 were rejected under 35 USC 103(a) as being unpatentable over U.S.Patent No. 6,035,287 to Stallaert. In formulating the rejection of original independent claims 1, 10 and 15, on page 4 of the 06/17/02 office action, the Examiner asserted that:

> Stallaert discloses an apparatus and method for bundled asset trading wherein a first portfolio (or a bundle) comprises units having an integer number M different securities (assets) selected from a second portfolio, the second portfolio comprising units of an integer number N different securities (see at least fig. 1, assets 1-4), N > M, (see at least, bundle size; and In re Rose, 105 USPQ 2nd 237, 240, 200 F.2d 459 (CCPA 1955)) wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio (see matching), and wherein the first financial instrument, anda second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market (se Stallaert, figs. 1, col. 2, ll. 40-45 & 52-58; col. 3, ll. 1-4).

As explained at the interview, Stallaert does not disclose this at all. Stallaert discloses a marketplace for exchanging bundles of assets wherein the quantities of each asset may vary from bundle to bundle, the bundles themselves more or less comprising the same assets. This has nothing to do with the present invention, let alone render obvious the claimed invention.

Also on page 4 of the office action, The Examiner conceded that Stallaert does not disclose "the weight of the first and second security are divided by the combined weight of the first portfolio with the second portfolio" [1], but argued that this would be obvious because "the ratio is based upon a notoriously old and well known mathematical technique of a weighted arithmetic mean." First, it is respectfully submitted that the Examiner has misinterpreted this claim element, since 'a weighted arithmetic mean' has little relevance to the present invention -- - in the present invention, the weighting of M different securities in the first portfolio reflects their weighting, *relative to each other*, within the second portfolio. It is further submitted that even if 'a weighted arithmetic mean' has any relevance, the Examiner has failed to make a prima facie case of obviousness of any of the independent claims.

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[1] It is unclear what the Examiner is referring to. The claim language reads "the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio,

With respect to dependent claims 2-9 and 11-14, it is again submitted that the Examiner has failed to make a prima facie case of obviousness. On page 5 and page 7 of the office action, the Examiner argues that claims 2-4 and 11-14 are obvious over Stallaert. However, the Examiner does not particularly show how each and every element is disclosed in Stallaert. Accordingly, the rejection of claims 2-4 and 11-14 is traversed. On pages 6-7 of the office action, with regard to claims 5-9, the Examiner *concedes* that Stallaert does not disclose the claimed invention, but nevertheless nakedly asserts obviousness, without pointing out either the claimed feature, or a motiviation to modify or combine, in any prior art reference. Therefore, the rejection of claims 5-9 is traversed, as well.

Reconsideration of the application is requested. Claims 1-24 are believed to be in allowable form and define over the prior art. An early notice of allowance is requested so that the application can proceed to issue.

A separate fee transmittal sheet is enclosed.

Respectfully Submitted,

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divided by the combined weight of the first portfolio within the second portfolio". Nothing in Stallaert discloses this.

APPENDIX A

Changes to Paragraphs in Amendment Filed July 11, 2002

Paragraph beginning at page 1, line 12:

On the floor of a stock exchange, such as the New York Stock Exchange (NYSE) or the American Stock Exchange (AMEX) [AMEX (American Stock Exchange)], equities are traded by firms which are generally referred to as brokers. Some of these brokers are officially given the exclusive right to maintain the market for one or more particular stocks, and these firms are called specialists, because they specialize in trading those one or more particular stocks. And within that firm, a particular individual serves as the firm's specialist in handling one or more of those stocks for which the firm serves as the specialist. In general, most of the transactions for a particular stock are handled automatically and instantaneously. This is because a single specialist is responsible for handling all the conventional buy and sell orders. However, the privilege of having the exclusive right to trade in a certain stock comes with certain obligations and responsibilities. Chief among these is the obligation to help stabilize the share price of the stock in which that specialist specializes in a volatile market. Thus, if the share price drops precipitously during the course of a day, the specialist is expected to cushion the falling share price by purchasing a significant number of the shares so as to prevent a free fall in the price of that stock. A specialist is typically human, but the specialist role may also be fulfilled by a virtual specialist, as disclosed in [USP] U.S.Patent No. 5,950,176 to Keiser, whose contents are incorporated to the extent necessary to understand the present invention.

Paragraph beginning at page 1, line 29:

Unlike the NYSE and the AMEX, the National Association of Securities Dealers Automated Quotations System (NASDAQ) does not have brokers and specialists, but rather has dealers, each of whom is free to handle trades in any stock. Thus, there is no official exclusivity in trading a particular stock and so each dealer is authorized to conduct transactions between buyers and sellers. Because a sale of a security on the NASDAQ can theoretically be handled by any number of dealers, transactions between buyers and sellers may not take place as rapidly as they do on the NYSE or AMEX. Furthermore, because there is no exclusivity, the dealers on the NASDAQ are in no way obligated to cushion the

fall in the price of any given stock, a factor which contributes to wider percentage swings in the share prices of the stocks listed in the NASDAQ.

Paragraph beginning at page 2, line 17:

The composition of a mutual fund can be based on a number of criteria. While some mutual funds reflect the composition of particular well-known indexes, such as the 30 companies comprising the Dow Jones' Industrial Averages or the Standard & Poor's 500 (S&P 500), others are specific to a geographical area (e.g., an "Asia" fund), an industry sector (e.g., "biotechnology"), investment objective type (e.g., "growth"), or have have some other characteristic in common. Most mutual fund, regardless of their composition, include stocks traded on more than one exchange.

APPENDIX B

Clean copy of Changed Paragraphs after Amendment Filed July 11, 2002

Paragraph beginning at page 1, line 12:

On the floor of a stock exchange, such as the New York Stock Exchange (NYSE) or the American Stock Exchange (AMEX), equities are traded by firms which are generally referred to as brokers. Some of these brokers are officially given the exclusive right to maintain the market for one or more particular stocks, and these firms are called specialists, because they specialize in trading those one or more particular stocks. And within that firm, a particular individual serves as the firm's specialist in handling one or more of those stocks for which the firm serves as the specialist. In general, most of the transactions for a particular stock are handled automatically and instantaneously. This is because a single specialist is responsible for handling all the conventional buy and sell orders. However, the privilege of having the exclusive right to trade in a certain stock comes with certain obligations and responsibilities. Chief among these is the obligation to help stabilize the share price of the stock in which that specialist specializes in a volatile market. Thus, if the share price drops precipitously during the course of a day, the specialist is expected to cushion the falling share price by purchasing a significant number of the shares so as to prevent a free fall in the price of that stock. A specialist is typically human, but the specialist role may also be fulfilled by a virtual specialist, as disclosed in U.S. Patent No. 5,950,176 to Keiser, whose contents are incorporated to the extent necessary to understand the present invention.

Paragraph beginning at page 1, line 29:

Unlike the NYSE and the AMEX, the National Association of Securities Dealers Automated Quotations System (NASDAQ) does not have brokers and specialists, but rather has dealers, each of whom is free to handle trades in any stock. Thus, there is no official exclusivity in trading a particular stock and so each dealer is authorized to conduct transactions between buyers and sellers. Because a sale of a security on the NASDAQ can theoretically be handled by any number of dealers, transactions between buyers and sellers may not take place as rapidly as they do on the NYSE or AMEX. Furthermore, because there is no exclusivity, the dealers on the NASDAQ are in no way obligated to cushion the

fall in the price of any given stock, a factor which contributes to wider percentage swings in the share prices of the stocks listed in the NASDAQ.

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The composition of a mutual fund can be based on a number of criteria. While some mutual funds reflect the composition of particular well-known indexes, such as the 30 companies comprising the Dow Jones' Industrial Averages or the Standard & Poor's 500 (S&P 500), others are specific to a geographical area (e.g., an "Asia" fund), an industry sector (e.g., "biotechnology"), investment objective type (e.g., "growth"), or have have some other characteristic in common. Most mutual fund, regardless of their composition, include stocks traded on more than one exchange.

APPENDIX C

Changes to Claims in Amendment Filed July 11, 2002

1. (Amended) A first financial instrument representing an ownership interest in a first portfolio, the first portfolio comprising units of an integer number M different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, N > M, <u>with the M different securities being a subset of the N different securities,</u>

wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of the first portfolio within the second portfolio, and

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market.

2. (Amended) The <u>first</u> financial instrument according to claim 1, wherein the M different securities in the first portfolio are all traded on a first securities market.

3. (Amended) The <u>first</u> financial instrument according to claim 2, wherein there are only a total of M different securities in the second portfolio that are traded on the first securities market.

4. (Amended) The <u>first</u> financial instrument according to claim 1, wherein the first and second financial instruments are both traded on the same securities market.

5. (Amended) The <u>first</u> financial instrument according to claim 4, wherein the first and second financial instruments are both traded on the <u>American Stock Exchange (</u>AMEX<u>)</u>.

6. (Amended) The <u>first</u> financial instrument according to claim 1, wherein the M different securities in the first portfolio are all traded on the <u>National Association of Securities Dealers Automated Quotations System (</u>NASDAQ<u>)</u>.

7. (Amended) The first financial instrument according to claim 6, wherein the second portfolio comprises stocks belonging to the S&P 500 and the first portfolio comprises only all of the stocks in the Standard & Poor's 500 (S&P 500) that are traded on the NASDAQ.

8. (Amended) The first financial instrument according to claim 1, wherein the M different securities in the first portfolio have the M lowest average trading volumes among the N different securities during a previous time period.

9. (Amended) The first financial instrument according to claim 1, wherein the M different securities in the first portfolio have the M highest price fluctuations among the N different securities during a previous time period.

10. (Amended) A plurality of first financial instruments $C_{1eq}, C_{2eq}, \ldots, C_{Jeq}$, $J > 1$, each representing an ownership interest in a corresponding one of a first set of portfolios $\{C_1, C_2, \ldots, C_j\}$, each member of said first set of portfolios comprising units of a corresponding integer number M_j different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, $N > M_j$, with the M_j different securities being a subset of the N different securities for all j, wherein

the weight of each security in any one C_j is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of C_j within the second portfolio, and

each of the first financial instruments, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market.

15. (Amended) A method of facilitating an exchange in ownership of a security, the method comprising:

a step of providing a first financial instrument representing an ownership interest in a first portfolio, the first portfolio comprising units of an integer number M different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, $N > M$, with the M different securities being a subset of the N different securities,

wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second

portfolio, divided by the combined weight of the first portfolio within the second portfolio, and

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market;

a step of receiving a first offer to sell said first financial instrument;
a step of receiving a second offer to buy said first financial instrument; and
matching said first and second offers.

16. (New) A first financial instrument representing an ownership interest in a first portfolio comprising an integer number M different stocks traded on the National Association of Securities Dealers Automated Quotations System (NASDAQ), wherein:

the M different stocks are included in an index based on market capitalization values of an integer number N different stocks, N > M, with the M different stocks being a subset of the N different stocks and at least some of the N different stocks being traded on an exchange other than the NASDAQ; and

the market capitalization weight of each of M different stocks in the first portfolio is substantially similar to that stock's corresponding market capitalization weight in the index, divided by the combined market capitalization weight of the first portfolio within the index.

17. (New) The first financial instrument according to claim 16, wherein the index is the Standard & Poor's 500 (S&P 500).

18. (New) The first financial instrument according to claim 16, wherein the index is the Standard & Poor's 100 (S&P 500).

19. (New) The first financial instrument according to claim 16, wherein at least some of the N different stocks are traded on the New York Stock Exchange.

20. (New) The first financial instrument according to claim 19, wherein N-M of the N different stocks are traded on the New York Stock Exchange.

21. (New) The first financial instrument according to claim 20, wherein the index is the Standard & Poor's 500 (S&P 500).

22. (New) The first financial instrument according to claim 20, wherein the index is the Standard & Poor's 100 (S&P 100).

23. (New) A first financial instrument representing an ownership interest in a first portfolio comprising stocks in the National Association of Securities Dealers Automated Quotations System (NASDAQ)-only component of the Standard & Poor's 500 (S&P 500), wherein the market capitalization weight of each the individual NASDAQ stocks in the first portfolio is substantially similar to that stock's corresponding market capitalization weight in the S&P 500, divided by the combined market capitalization weight of the first portfolio within the S&P 500.

24. (New) A first financial instrument representing an ownership interest in a first portfolio comprising stocks in the National Association of Securities Dealers Automated Quotations System (NASDAQ)-only component of the Standard & Poor's 100 (S&P 100), wherein the market capitalization weight of each the individual NASDAQ stocks in the first portfolio is substantially similar to that stock's corresponding market capitalization weight in the S&P 100, divided by the combined market capitalization weight of the first portfolio within the S&P 100.

APPENDIX D

Pending Claims After Amendment Filed July 11, 2002

1. (Amended) A first financial instrument representing an ownership interest in a first portfolio, the first portfolio comprising units of an integer number M different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, N > M, with the M different securities being a subset of the N different securities,

wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of the first portfolio within the second portfolio, and

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market.

2. (Amended) The first financial instrument according to claim 1, wherein the M different securities in the first portfolio are all traded on a first securities market.

3. (Amended) The first financial instrument according to claim 2, wherein there are only a total of M different securities in the second portfolio that are traded on the first securities market.

4. (Amended) The first financial instrument according to claim 1, wherein the first and second financial instruments are both traded on the same securities market.

5. (Amended) The first financial instrument according to claim 4, wherein the first and second financial instruments are both traded on the American Stock Exchange (AMEX).

6. (Amended) The first financial instrument according to claim 1, wherein the M different securities in the first portfolio are all traded on the National Association of Securities Dealers Automated Quotations System (NASDAQ).

7. (Amended) The first financial instrument according to claim 6, wherein the second portfolio comprises stocks belonging to the S&P 500 and the first portfolio comprises only all of the stocks in the Standard & Poor's 500 (S&P 500) that are traded on the NASDAQ.

8. (Amended) The first financial instrument according to claim 1, wherein the M different securities in the first portfolio have the M lowest average trading volumes among the N different securities during a previous time period.

9. (Amended) The first financial instrument according to claim 1, wherein the M different securities in the first portfolio have the M highest price fluctuations among the N different securities during a previous time period.

10. (Amended) A plurality of first financial instruments C_{1eq}, C_{2eq}, . . . , C_{Jeq} , $J > 1$, each representing an ownership interest in a corresponding one of a first set of portfolios $\{C_1, C_2, \ldots, C_j\}$, each member of said first set of portfolios comprising units of a corresponding integer number M_j different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, $N > M_j$, with the M_j different securities being a subset of the N different securities for all j, wherein

the weight of each security in any one C_j is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of C_j within the second portfolio, and

each of the first financial instruments, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market.

11. (Original) The plurality of first financial instruments according to claim 10, wherein the set of first portfolios have no securities in common.

12. (Original) The plurality of first financial instruments according to claim 11, wherein the set of first portfolios form a partition of the second portfolio such that all N securities in the second portfolio are distributed among the set of J first portfolios.

13. (Original) The plurality of first financial instruments according to claim 10, wherein at least two members of the set of first portfolios have securities in common.

14. (Original) The plurality of first financial instruments according to claim 13, wherein all N securities in the second portfolio are represented in at least one member of the set of first portfolios.

15. (Amended) A method of facilitating an exchange in ownership of a security, the method comprising:

a step of providing a first financial instrument representing an ownership interest in a first portfolio, the first portfolio comprising units of an integer number M different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, N > M, with the M different securities being a subset of the N different securities,

wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of the first portfolio within the second portfolio, and

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market;

a step of receiving a first offer to sell said first financial instrument;

a step of receiving a second offer to buy said first financial instrument; and

matching said first and second offers.

16. (New) A first financial instrument representing an ownership interest in a first portfolio comprising an integer number M different stocks traded on the National Association of Securities Dealers Automated Quotations System (NASDAQ), wherein:

the M different stocks are included in an index based on market capitalization values of an integer number N different stocks, N > M, with the M different stocks being a subset of the N different stocks and at least some of the N different stocks being traded on an exchange other than the NASDAQ; and

the market capitalization weight of each of M different stocks in the first portfolio is substantially similar to that stock's corresponding market capitalization weight in the index, divided by the combined market capitalization weight of the first portfolio within the index.

17. (New) The first financial instrument according to claim 16, wherein the index is the Standard & Poor's 500 (S&P 500).

18. (New) The first financial instrument according to claim 16, wherein the index is the Standard & Poor's 100 (S&P 500).

19. (New) The first financial instrument according to claim 16, wherein at least some of the N different stocks are traded on the New York Stock Exchange.

20. (New) The first financial instrument according to claim 19, wherein N-M of the N different stocks are traded on the New York Stock Exchange.

21. (New) The first financial instrument according to claim 20, wherein the index is the Standard & Poor's 500 (S&P 500).

22. (New) The first financial instrument according to claim 20, wherein the index is the Standard & Poor's 100 (S&P 100).

23. (New) A first financial instrument representing an ownership interest in a first portfolio comprising stocks in the National Association of Securities Dealers Automated Quotations System (NASDAQ)-only component of the Standard & Poor's 500 (S&P 500), wherein the market capitalization weight of each the individual NASDAQ stocks in the first portfolio is substantially similar to that stock's corresponding market capitalization weight in the S&P 500, divided by the combined market capitalization weight of the first portfolio within the S&P 500.

24. (New) A first financial instrument representing an ownership interest in a first portfolio comprising stocks in the National Association of Securities Dealers Automated Quotations System (NASDAQ)-only component of the Standard & Poor's 100 (S&P 100), wherein the market capitalization weight of each the individual NASDAQ stocks in the first portfolio is substantially similar to that stock's corresponding market capitalization weight in the S&P 100, divided by the combined market capitalization weight of the first portfolio within the S&P 100.